

# DEPARTMENT OF ADMINISTRATION



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TO: Independent Auditors Authorized to Conduct Audits of Montana Local Governments  
FROM: Local Government Services Bureau, Dept. of Administration, Audit Review Section  
RE: Financial Reviews of Montana School Districts and Special Education Cooperatives

Section 2-7-503(3)(b), MCA, provides that local government entities not required to be audited under the provisions of the Montana Single Audit Act may be required to have a "financial review" at least once every four years. The Department of Administration has the authority to determine which local government entities other than school districts will be required to have a financial review. In the case of school districts and special education cooperatives, the Office of Public Instruction (OPI) determines which districts and cooperatives will be required to have financial reviews. OPI has directed that the school districts and special education cooperatives on the enclosed listing have a financial review of the fiscal year ended June 30, 2015.

Under the above section of law, the Department of Administration can define what constitutes a financial review. After discussions with OPI, we have determined that these financial reviews of school districts and special education cooperatives will be "agreed-upon procedures" engagements as prescribed in the Standards for Attestation Engagements in AT Section 201, *"Agreed-Upon Procedures Engagements."*

The Department's standard financial review contract and the prescribed standards for agreed-upon procedures engagements must be utilized for all financial reviews of school districts and special education cooperatives for the year ended June 30, 2015. These financial reviews must be conducted by an accountant on the Bureau's Roster of Independent Auditors Authorized to Conduct Audits of Montana Local Governments.

All documentation and information needed to complete a financial review for these school districts, is listed below and can be found on our website at:

[http://sfsd.mt.gov/LGSB/Forms/AuditReviewProgram/7\\_SchoolDistrictFinancialReviews](http://sfsd.mt.gov/LGSB/Forms/AuditReviewProgram/7_SchoolDistrictFinancialReviews)

1. List of school districts required to have a financial review for FY 2015.
2. Standard Financial Review Contract (Dated 3/10) with Appendix A, with Appendix B (listing procedures to be performed during a financial review of a school district and cooperative) and Appendix C (sample management representation letter)
3. Sample financial review report, including Schedules A, B, C
4. Sample management representation letter
5. Listing of “specified requirements”

Please Note:

a) Department of Administration Standard Financial Review Contract (Dated 3/10) - This contract, which is similar to the standard audit contract, is a three-party contract which will be entered into by the school district or cooperative, the independent accountant, and the Department of Administration. The “agreed-upon procedures” to be performed during the financial review are listed in Appendix B to the contract. No changes were made to the contract since the revision of March 2010.

b) Sample financial review report - This report contains a sample agreed-upon procedures report for a financial review of a school district, including the schedules required by the contract. The same basic format should be used for a report on a special education cooperative, except that it should be modified appropriately to reflect the different procedures and schedules required, as indicated in Appendix B to the contract.

The sample report is in accordance with the provisions of AT Section 201, and includes illustrative language to be used for each procedure and associated result. Please follow the format of this sample report, to ensure that your financial review report is in compliance with the required provisions.

The school districts and special education cooperatives that are being required by OPI to be reviewed for FY 2015 have been notified of this fact. In addition, the Department of Administration is sending these school districts and cooperatives copies of the Standard Financial Review Contract and the Department's roster of independent auditors authorized to conduct audits of Montana local government entities.

To reduce costs, school districts and cooperatives within the same county and/or close together geographically have been encouraged, but not required, to join together in selecting a firm to do the financial review. In this manner the travel costs can possibly be reduced or shared and the auditor selected can perform any required work at the county courthouse at the same time. The school districts or cooperatives may also agree to bring or send required records to a central location. If you are engaged to conduct financial reviews for a group of school districts and cooperatives that jointly solicited for proposals, you will still have to enter into individual contracts with each district and cooperative, and any overall review fee for the group of schools.

If your firm is interested in conducting financial reviews of school districts or special education cooperatives, we urge you to review the materials on the website closely. As is currently the case with audits, the method used by the schools and cooperatives to select a firm to perform their reviews may vary. Some schools or cooperatives or groups of schools and cooperatives may call or write individual firms and request proposals, while others may request proposals through legal advertisements in newspapers. Some of you may choose to initiate contact with the various schools and cooperatives required to have reviews. Based on approved contracts on file, the fees for financial reviews of school districts for the year ended June 30, 2014, ranged from \$735 to \$2,000. Variables which could affect the fee include travel costs for the auditor, and school district or cooperative records that are in poor condition.

If you have any questions, please feel free to call us at (406)841-2907.